

TOWNSHIP OF SHERMAN
GENERAL PURPOSE FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
YEAR ENDED MARCH 31, 2004
with
REPORT OF INDEPENDENT AUDITORS

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Sherman	County Huron
Audit Date 3/31/04	Opinion Date 7/14/04	Date Accountant Report Submitted to State: 8/23/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

RECEIVED
DEPT. OF TREASURY

AUG 24 2004

LOCAL AUDIT & FINANCE DIV.

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

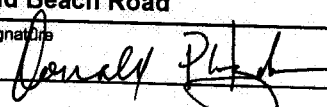
Certified Public Accountant (Firm Name) Hyzer, Hill, Kuzak & Co., P. C.			
Street Address 1242 Sand Beach Road		City Bad Axe	State MI
Accountant Signature 		ZIP 48413	Date 8/23/04

TABLE OF CONTENTS

PAGE

Report of independent auditors

1

General purpose financial statements:

Combined balance sheet - all fund types and account groups

2

Combined statement of revenues, expenditures, and changes in
fund balances - all governmental fund types

3

Combined statement of revenues, expenditures, and changes in
fund balance - budget and actual

4 - 5

Notes to general purpose financial statements

6 - 11

Supplementary information:

General fund:

Statement of revenues - budget and actual

12

Statement of expenditures - budget and actual

13

Special revenue funds:

Combining balance sheet

14

Combining statement of revenues, expenditures, and changes
in fund balances

15

Liquor fund:

Statement of revenues, expenditures, and changes in fund
balance - budget and actual

16

Highway fund:

Statement of revenues, expenditures, and changes in fund
balance - budget and actual

17

Fire truck replacement fund:

Statement of revenues, expenditures, and changes in fund
balance - budget and actual

18

Fire vehicle/equipment fund:

Statement of revenues, expenditures, and changes in fund
balance - budget and actual

19

Current tax collection fund:

Statement of changes in assets and liabilities

20

HYZER, HILL, KUZAK & CO., P.C.

Certified Public Accountants

1242 Sand Beach Road

P.O. Box 326

Bad Axe, MI 48413-0326

Bruce Hill
Donald Kuzak
Michael Doerr

Phone: (989) 269-9541 • FAX: (989) 269-6777

REPORT OF INDEPENDENT AUDITORS

To the Township Board
Township of Sherman, Michigan

We have audited the accompanying general purpose financial statements of the Township of Sherman, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Sherman, Michigan, as of March 31, 2004, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information on pages 12 through 20 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Hyzer, Hill, Kuzak & Co. P.C.

July 14, 2004

TOWNSHIP OF SHERMAN
COMBINED BALANCE SHEET -
ALL FUND TYPES AND ACCOUNT GROUPS
MARCH 31, 2004

	Governmental Fund Types		Fiduciary Fund Type	Account Group
	General Fund	Special Revenue Fund	Current Tax Collection Fund	General Fixed Assets
<u>ASSETS</u>				
Current assets:				
Cash	\$ 490,697	\$ 145,464	\$ 1,652	\$ -
Delinquent taxes receivable	14,455	-	-	-
Due from other funds	<u>1,652</u>	<u>11,041</u>	<u>-</u>	<u>-</u>
Total current assets	506,804	156,505	1,652	-
Property, plant, and equipment, at cost	<u>-</u>	<u>-</u>	<u>-</u>	<u>320,676</u>
Total assets	<u>\$ 506,804</u>	<u>\$ 156,505</u>	<u>\$ 1,652</u>	<u>\$ 320,676</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Due to other funds	\$ 11,041	\$ -	\$ 1,652	\$ -
Fund balances:				
Investment in general fixed assets	-	-	-	320,676
Unreserved	<u>495,763</u>	<u>156,505</u>	<u>-</u>	<u>-</u>
Total liabilities and fund equity	<u>\$ 506,804</u>	<u>\$ 156,505</u>	<u>\$ 1,652</u>	<u>\$ 320,676</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWNSHIP OF SHERMAN
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
YEAR ENDED MARCH 31, 2004

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Revenues:		
Taxes	\$ 67,902	\$ 212,917
Licenses and permits	-	976
Federal grants	38,196	-
State grants	91,236	-
Charges for services	23,980	-
Interest	9,797	2,993
Other revenues	<u>12,693</u>	<u>-</u>
Total revenues	243,804	216,886
Expenditures:		
General government	107,127	-
Public safety	81,297	976
Public works	15,092	-
Road maintenance	<u>-</u>	<u>253,822</u>
Total expenditures	<u>203,516</u>	<u>254,798</u>
Excess of revenues over expenditures	40,288	(37,912)
Other financing sources (uses):		
Operating transfers in	23,532	-
Operating transfers out	<u>-</u>	<u>(23,532)</u>
Total other financing sources (uses)	<u>23,532</u>	<u>(23,532)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	63,820	(61,444)
Fund balance, beginning of year	<u>431,943</u>	<u>217,949</u>
Fund balance, end of year	<u>\$ 495,763</u>	<u>\$ 156,505</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWNSHIP OF SHERMAN
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2004

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ 68,167	\$ 67,902	\$ (265)
Federal grants	40,000	38,196	(1,804)
State grants	91,236	91,236	-
Licenses and permits	-	-	-
Charges for services	24,080	23,980	(100)
Interest	9,900	9,797	(103)
Other revenues	<u>19,654</u>	<u>12,693</u>	<u>(6,961)</u>
Total revenues	253,037	243,804	(9,233)
Expenditures:			
General government	157,998	107,127	50,871
Public safety	85,525	81,297	4,228
Public works	15,609	15,092	517
Road maintenance	-	-	-
Total expenditures	<u>259,132</u>	<u>203,516</u>	<u>55,616</u>
Excess of revenues over (under) expenditures	(6,095)	40,288	46,383
Other financing sources (uses):			
Operating transfers in	23,568	23,532	(36)
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>23,568</u>	<u>23,532</u>	<u>(36)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ 17,473</u>	63,820	<u>\$ 46,347</u>
Fund balance, beginning of year		<u>431,943</u>	
Fund balance, end of year		<u>\$ 495,763</u>	

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWNSHIP OF SHERMAN
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2004
(CONTINUED)

	<u>Special Revenue Funds</u>		Variance Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Taxes	\$ 213,600	\$ 212,917	\$ (683)
State grants	-	-	-
Licenses and permits	976	976	-
Charges for services	-	-	-
Interest	2,050	2,993	943
Other revenues	-	-	-
Total revenues	<u>216,626</u>	<u>216,886</u>	<u>260</u>
Expenditures:			
General government	-	-	-
Public safety	976	976	-
Public works	-	-	-
Road maintenance	<u>180,000</u>	<u>253,822</u>	<u>(73,822)</u>
Total expenditures	<u>180,976</u>	<u>254,798</u>	<u>(73,822)</u>
Excess of revenues over (under) expenditures	35,650	(37,912)	(73,562)
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	<u>(23,568)</u>	<u>(23,532)</u>	<u>36</u>
Total other financing sources (uses)	<u>(23,568)</u>	<u>(23,532)</u>	<u>36</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 12,082</u>	(61,444)	<u>\$ (73,526)</u>
Fund balance, beginning of year		<u>217,949</u>	
Fund balance, end of year		<u>\$ 156,505</u>	

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWNSHIP OF SHERMAN
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
MARCH 31, 2004

1. Summary of significant accounting policies

- A. Description of Township operations and fund types - The Township is located in Huron County, Michigan. The Township is governed by a five person elected board and provides services to its residents for public safety, public works, and public health.

Financial reporting entity - The Township's combined financial statements include the accounts of all Township operations. The criteria for including organizations as component units within the Township's reporting entity, as set forth in Section 2111 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Township holds the corporate powers of the organization
- the Township appoints a voting majority of the organization's board
- the Township is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Township
- there is fiscal dependency by the organization to the Township

Based on the aforementioned criteria, the Township of Sherman has no component units.

Basis of presentation - The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

GOVERNMENTAL FUNDS

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. This fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state distributions, and other intergovernmental revenues.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue resources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specific purposes. The Combined Special Revenue Fund financial statements include the following individual funds: Liquor Fund, Highway Fund, Fire Truck Replacement Fund, and Fire Vehicle/Equipment Fund.

FIDUCIARY FUNDS

Trust and Agency Funds - These funds are used to account for assets held in trust or as an agent for others.

1. Summary of Significant Accounting Policies (continued)

A. Description of Township operations and fund types (continued)

ACCOUNT GROUPS

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the Township. Capital outlays are recorded as expenditures of the fund at the time of purchase and are subsequently recorded for control purposes in the General Fixed Assets Account Group.

- B. Basis of accounting - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied. All governmental funds utilize the modified accrual basis of accounting.

Under this method, revenues are recorded when received in cash except those susceptible to accrual, which are recorded as receivables when measurable and as revenue when available to meet current Township obligations.

Expenditures are recognized when the related liability is incurred, except for interest on long-term debt, which is recorded when due.

The Township does not record encumbrances for undelivered goods or services.

- C. Budgets and budgetary accounting - P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

The Township Clerk prepares and submits the annual budget to the Township Board in March of each year. The Board holds a budget hearing at which time the budget is adopted by resolution. The Board adopts the budget to the line item level and amends the budget late in the fiscal year.

During the year ended March 31, 2004, the Township incurred the following expenditures in line items that were in excess of the amounts appropriated.

	<u>Budget</u>	<u>Actual</u>
Highway Fund:		
Road maintenance	\$180,000	\$253,822

TOWNSHIP OF SHERMAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004
(CONTINUED)

1. **Summary of significant accounting policies (continued)**

D. **Fixed assets and long-term liabilities**

Fixed assets - The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Public domain ("infrastructure") general fixed assets including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized for reporting purposes.

Long-term liabilities - Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-term Debt Account Group.

E. **Interfund eliminations** - Interfund balances and transactions have not been eliminated in the preparation of the general purpose financial statements.

2. **Property tax data**

Properties are assessed as of December 31, and the related property taxes become a lien on December 1, of the following year. These taxes are due on February 14, with the final collection date of February 28, before they are added to the County tax rolls.

The delinquent real property taxes of the Township are purchased by the County of Huron. The County sells tax notes, the proceeds of which are used to pay the Township for these property taxes. These taxes have been recorded as revenues for the current year.

TOWNSHIP OF SHERMAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004
(CONTINUED)

2. **Property tax data (continued)**

The Township's property tax levy for the 2003 tax year is summarized as follows:

Taxable value	<u>\$47,533,319</u>
Millage rates per \$1,000 of taxable value:	
General operating	1.0989
Roads	3.9535
Fire vehicle/equipment replacement	<u>.4914</u>
	<u>5.5438</u> mills

3. **Interfund due to and due from**

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General fund	\$ 1,652	\$11,041
Special revenue fund:		
Highway	9,853	-
Fire vehicle/ equipment	1,188	-
Agency fund:		
Current tax collection	<u>-</u>	<u>1,652</u>
	<u>\$ 12,693</u>	<u>\$ 12,693</u>

4. **Balance sheet cash and interest bearing deposits**

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

TOWNSHIP OF SHERMAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004
(CONTINUED)

4. **Balance sheet cash and interest bearing deposits (continued)**

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Township's cash deposits are as follows:

<u>Deposits</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 100,000
Uninsured and collateralized by U. S. Government Securities	<u>568,637</u>
Total deposits	<u>\$ 668,637</u>

5. **Changes in general fixed assets**

A summary of general fixed assets is given below:

	<u>Balance March 31, 2003</u>	<u>Increase (Decrease)</u>	<u>Balance March 31, 2004</u>
Land	\$ 5,500	\$ -	\$ 5,500
Building	36,576	-	36,576
Fire trucks and equipment	223,333	42,878	266,211
Equipment and furniture	<u>12,389</u>	<u>-</u>	<u>12,389</u>
	<u>\$ 277,798</u>	<u>\$ 42,878</u>	<u>\$ 320,676</u>

TOWNSHIP OF SHERMAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004
(CONTINUED)

6. Pension

The Township of Sherman participates in an employee group pension plan through Manufacturers Life Insurance Company which covers all elected Township Board members and full-time transfer station employees. The Township contributes amounts based on employee's compensation. Contributions must be a minimum of 7.50% of annual compensation. Employees must reimburse the Township for 25% of the contribution and may make additional after tax voluntary contributions. Retirement from the plan may not be earlier than age 55. Normal retirement is age 65, or if later, completion of 10 years of participation in the plan. The original effective date of the plan was March 1, 1970. The expense for pension cost for the year ended March 31, 2004, was \$3,765. Covered compensation for eligible employees was \$36,981.

7. Risk management

The Township is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; and errors or omissions. The Township purchases commercial insurance coverage for protection against loss.

SUPPLEMENTARY INFORMATION

TOWNSHIP OF SHERMAN
GENERAL FUND
STATEMENT OF REVENUES - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Taxes:			
Tax levy	\$ 52,950	\$ 52,685	\$ (265)
Collection fees	<u>15,217</u>	<u>15,217</u>	<u>-</u>
Total taxes	68,167	67,902	(265)
Federal grants	40,000	38,196	(1,804)
State grants:			
Revenue sharing	91,236	91,236	-
Charges for services:			
Fire runs	9,800	9,800	-
Landfill fees	11,300	11,200	(100)
Miscellaneous	<u>2,980</u>	<u>2,980</u>	<u>-</u>
Total charges for services	24,080	23,980	(100)
Interest	9,900	9,797	(103)
Other revenues:			
Employee medical insurance contribution	15,350	8,939	(6,411)
Employee pension contribution	900	859	(41)
Refunds	2,870	2,861	(9)
Other	<u>534</u>	<u>34</u>	<u>(500)</u>
Total other revenues	<u>19,654</u>	<u>12,693</u>	<u>(6,961)</u>
Total revenues	253,037	243,804	(9,233)
Other financing sources:			
Operating transfers in	<u>23,568</u>	<u>23,532</u>	<u>(36)</u>
Total revenues and other financing sources	<u>\$ 276,605</u>	<u>\$ 267,336</u>	<u>\$ (9,269)</u>

TOWNSHIP OF SHERMAN
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Expenditures:			
General government:			
Street lighting	\$ 3,800	\$ 3,615	\$ 185
Printing and publishing	2,200	862	1,338
Supervisor's salary and meetings	6,525	6,525	-
Treasurer's salary	8,550	8,340	210
Clerk's salary	7,000	6,640	360
Supplies	3,672	2,268	1,404
Dues	1,200	891	309
Travel	1,200	537	663
Tax bill preparation	8,000	6,874	1,126
Education and training	2,500	751	1,749
Township hall maintenance	3,000	2,858	142
Insurance	15,577	15,577	-
Payroll taxes	2,000	1,978	22
Deputy treasurer's salary	300	300	-
Trustees' salaries	3,000	2,540	460
Deputy clerk's salary	300	300	-
Board of review's salary	700	510	190
Drain at large	5,000	4,757	243
Transfer station's salary	3,000	2,495	505
Legal and professional	1,500	15	1,485
Election	506	506	-
Transfer station upkeep	12,995	10,240	2,755
Utilities	3,076	3,076	-
Pension	4,900	4,624	276
Employee medical	15,350	8,938	6,412
Cemetery upkeep	700	460	240
Assessor's salary	10,300	10,300	-
Contingency	<u>31,147</u>	<u>350</u>	<u>30,797</u>
Total general government	157,998	107,127	50,871
Public safety:			
Fire protection - operating	39,325	37,254	2,071
Fire protection - capital	45,000	42,878	2,122
Ambulance	<u>1,200</u>	<u>1,165</u>	<u>35</u>
Total public safety	85,525	81,297	4,228
Public works:			
Road repairs	<u>15,609</u>	<u>15,092</u>	<u>517</u>
Total expenditures	<u>\$ 259,132</u>	<u>\$ 203,516</u>	<u>\$ 55,616</u>

TOWNSHIP OF SHERMAN
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2004

	<u>Liquor Fund</u>	<u>Highway Fund</u>	<u>Fire Truck Replacement Fund</u>	<u>Fire Vehicle/ Equipment Fund</u>	<u>Total</u>
<u>ASSETS</u>					
Cash	\$ -	\$ 119,183	\$ 25,278	\$ 1,003	\$145,464
Due from other funds	<u>-</u>	<u>9,853</u>	<u>-</u>	<u>1,188</u>	<u>11,041</u>
Total assets	<u>\$ -</u>	<u>\$ 129,036</u>	<u>\$ 25,278</u>	<u>\$ 2,191</u>	<u>\$156,505</u>
<u>LIABILITIES & FUND EQUITY</u>					
Fund balances:					
Unreserved	\$ -	\$ 129,036	\$ 25,278	\$ 2,191	\$156,505
Total liabilities and fund equity	<u>\$ -</u>	<u>\$ 129,036</u>	<u>\$ 25,278</u>	<u>\$ 2,191</u>	<u>\$156,505</u>

TOWNSHIP OF SHERMAN
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2004

	<u>Liquor Fund</u>	<u>Highway Fund</u>	<u>Fire Truck Replacement Fund</u>	<u>Fire Vehicle/ Equipment Fund</u>	<u>Total</u>
Revenues:					
Taxes	\$ -	\$ 189,383	\$ -	\$ 23,534	\$ 212,917
Licenses and permits	976	-	-	-	976
Interest	-	1,943	1,031	19	2,993
Total revenues	976	191,326	1,031	23,553	216,886
Expenditures:					
Public safety	976	-	-	-	976
Road maintenance	-	253,822	-	-	253,822
Total expenditures	976	253,822	-	-	254,798
Excess of revenues over (under) expenditures	-	(62,496)	1,031	23,553	(37,912)
Other financing sources (uses):					
Operating transfers out	-	-	-	(23,532)	(23,532)
Excess of revenues over (under) expenditures and other financing uses	-	(62,496)	1,031	21	(61,444)
Fund balance, beginning of year	-	191,532	24,247	2,170	217,949
Fund balance, end of year	<u>\$ -</u>	<u>\$ 129,036</u>	<u>\$ 25,278</u>	<u>\$ 2,191</u>	<u>\$ 156,505</u>

TOWNSHIP OF SHERMAN
LIQUOR FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Licenses and permits	\$ 976	\$ 976	\$ -
Expenditures:			
Public safety	<u>976</u>	<u>976</u>	<u>-</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWNSHIP OF SHERMAN
HIGHWAY FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ 190,000	\$ 189,383	
Interest	<u>1,000</u>	<u>1,943</u>	\$ (617)
Total revenues	191,000	191,326	<u>943</u> 326
Expenditures:			
Road maintenance	<u>180,000</u>	<u>253,822</u>	<u>(73,822)</u>
Excess of revenues over (under) expenditures	<u>\$ 11,000</u>	(62,496)	<u>\$ (73,496)</u>
Fund balance, beginning of year		<u>191,532</u>	
Fund balance, end of year		<u>\$ 129,036</u>	

TOWNSHIP OF SHERMAN
FIRE TRUCK REPLACEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Interest	<u>\$ 1,031</u>	\$ 1,031	<u>\$ -</u>
Fund balance, beginning of year		<u>24,247</u>	
Fund balance, end of year		<u>\$ 25,278</u>	

TOWNSHIP OF SHERMAN
FIRE VEHICLE/EQUIPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 20024

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ 23,600	\$ 23,534	\$ (66)
Interest	<u>19</u>	<u>19</u>	<u>-</u>
Total revenues	23,619	23,553	(66)
Other financing sources (uses):			
Operating transfers out	<u>(23,568)</u>	<u>(23,532)</u>	<u>36</u>
Excess of revenues over expenditures and other financing uses	<u>\$ 51</u>	21	<u>\$ 30</u>
Fund balance, beginning of year		<u>2,170</u>	
Fund balance, end of year		<u>\$ 2,191</u>	

TOWNSHIP OF SHERMAN
CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED MARCH 31, 2004

	Balance March 31, <u>2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance March 31, <u>2004</u>
<u>ASSETS</u>				
Cash	\$ <u>1,456</u>	\$ <u>1,471,545</u>	\$ <u>1,471,349</u>	\$ <u>1,652</u>
<u>LIABILITIES</u>				
Due to other funds	\$ 1,456	\$ 266,747	\$ 266,551	\$ 1,652
Due to County	-	301,509	301,509	-
Due to schools	-	610,489	610,489	-
Due to other units	<u>-</u>	<u>292,800</u>	<u>292,800</u>	<u>-</u>
Total liabilities	\$ <u>1,456</u>	\$ <u>1,471,545</u>	\$ <u>1,471,349</u>	\$ <u>1,652</u>

HYZER, HILL, KUZAK & CO., P.C.

Certified Public Accountants

1242 Sand Beach Road

P.O. Box 326

Bad Axe, MI 48413-0326

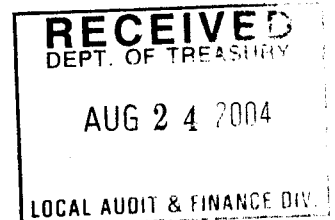
Phone: (989) 269-9541 • FAX: (989) 269-6777

Bruce Hill

Donald Kuzak

Michael Doerr

July 14, 2004



Board of Trustees
Sherman Township

In planning and performing our audit of the financial statements of Sherman Township for the year ended March 31, 2004, we considered the Township's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated July 14, 2004, on the financial statements of Sherman Township.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

A handwritten signature in cursive script that reads "Hyzer, Hill, Kuzak & Co. P.C.".

Hyzer, Hill, Kuzak & Co., P.C.

Budget

The State Budget Act requires Township Boards to monitor expenditure data on a periodic basis. The Township Board cannot legally exceed its budget line items without amending the budget to provide additional spending authority.

Although the Township has a very effective reporting system and periodically amends its operating budget, the Board failed to amend the Road Expense budget. For 2004, the actual road spending exceeded budeted amounts by \$73,822.